



Rep. Patrick J. Verschoore

Filed: 3/19/2013

09800HB1226ham001

LRB098 03008 JDS 43541 a

1 AMENDMENT TO HOUSE BILL 1226

2 AMENDMENT NO. _____. Amend House Bill 1226 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The State Employees Group Insurance Act of 1971
5 is amended by changing Sections 6.5 and 8 as follows:

6 (5 ILCS 375/6.5)

7 Sec. 6.5. Health benefits for TRS benefit recipients and
8 TRS dependent beneficiaries.

9 (a) Purpose. It is the purpose of this amendatory Act of
10 1995 to transfer the administration of the program of health
11 benefits established for benefit recipients and their
12 dependent beneficiaries under Article 16 of the Illinois
13 Pension Code to the Department of Central Management Services.

14 (b) Transition provisions. The Board of Trustees of the
15 Teachers' Retirement System shall continue to administer the
16 health benefit program established under Article 16 of the

1 Illinois Pension Code through December 31, 1995. Beginning
2 January 1, 1996, the Department of Central Management Services
3 shall be responsible for administering a program of health
4 benefits for TRS benefit recipients and TRS dependent
5 beneficiaries under this Section. The Department of Central
6 Management Services and the Teachers' Retirement System shall
7 cooperate in this endeavor and shall coordinate their
8 activities so as to ensure a smooth transition and
9 uninterrupted health benefit coverage.

10 (c) Eligibility. All persons who were enrolled in the
11 Article 16 program at the time of the transfer shall be
12 eligible to participate in the program established under this
13 Section without any interruption or delay in coverage or
14 limitation as to pre-existing medical conditions. Eligibility
15 to participate shall be determined by the Teachers' Retirement
16 System. Eligibility information shall be communicated to the
17 Department of Central Management Services in a format
18 acceptable to the Department.

19 A TRS dependent beneficiary who is a child age 19 or over
20 and mentally or physically disabled does not become ineligible
21 to participate by reason of (i) becoming ineligible to be
22 claimed as a dependent for Illinois or federal income tax
23 purposes or (ii) receiving earned income, so long as those
24 earnings are insufficient for the child to be fully
25 self-sufficient.

26 (d) Coverage. The level of health benefits provided under

1 this Section shall be similar to the level of benefits provided
2 by the program previously established under Article 16 of the
3 Illinois Pension Code.

4 Group life insurance benefits are not included in the
5 benefits to be provided to TRS benefit recipients and TRS
6 dependent beneficiaries under this Act.

7 The program of health benefits under this Section may
8 include any or all of the benefit limitations, including but
9 not limited to a reduction in benefits based on eligibility for
10 federal medicare benefits, that are provided under subsection
11 (a) of Section 6 of this Act for other health benefit programs
12 under this Act.

13 (e) Insurance rates and premiums. The Director shall
14 determine the insurance rates and premiums for TRS benefit
15 recipients and TRS dependent beneficiaries, and shall present
16 to the Teachers' Retirement System of the State of Illinois, by
17 April 15 of each calendar year, the rate-setting methodology
18 (including but not limited to utilization levels and costs)
19 used to determine the amount of the health care premiums.

20 For Fiscal Year 1996, the premium shall be equal to the
21 premium actually charged in Fiscal Year 1995; in subsequent
22 years, the premium shall never be lower than the premium
23 charged in Fiscal Year 1995.

24 For Fiscal Year 2003, the premium shall not exceed 110%
25 of the premium actually charged in Fiscal Year 2002.

26 For Fiscal Year 2004, the premium shall not exceed 112%

1 of the premium actually charged in Fiscal Year 2003.

2 For Fiscal Year 2005, the premium shall not exceed a
3 weighted average of 106.6% of the premium actually charged
4 in Fiscal Year 2004.

5 For Fiscal Year 2006, the premium shall not exceed a
6 weighted average of 109.1% of the premium actually charged
7 in Fiscal Year 2005.

8 For Fiscal Year 2007, the premium shall not exceed a
9 weighted average of 103.9% of the premium actually charged
10 in Fiscal Year 2006.

11 For Fiscal Year 2008 and thereafter, the premium in
12 each fiscal year shall not exceed 105% of the premium
13 actually charged in the previous fiscal year.

14 Rates and premiums may be based in part on age and
15 eligibility for federal medicare coverage. However, the cost of
16 participation for a TRS dependent beneficiary who is an
17 unmarried child age 19 or over and mentally or physically
18 disabled shall not exceed the cost for a TRS dependent
19 beneficiary who is an unmarried child under age 19 and
20 participates in the same major medical or managed care program.

21 The cost of health benefits under the program shall be paid
22 as follows:

23 (1) For a TRS benefit recipient selecting a managed
24 care program, up to 75% of the total insurance rate shall
25 be paid from the Teacher Health Insurance Security Fund.
26 Effective with Fiscal Year 2007 and thereafter, for a TRS

1 benefit recipient selecting a managed care program, 75% of
2 the total insurance rate shall be paid from the Teacher
3 Health Insurance Security Fund.

4 (2) For a TRS benefit recipient selecting the major
5 medical coverage program, up to 50% of the total insurance
6 rate shall be paid from the Teacher Health Insurance
7 Security Fund if a managed care program is accessible, as
8 determined by the Teachers' Retirement System. Effective
9 with Fiscal Year 2007 and thereafter, for a TRS benefit
10 recipient selecting the major medical coverage program,
11 50% of the total insurance rate shall be paid from the
12 Teacher Health Insurance Security Fund if a managed care
13 program is accessible, as determined by the Department of
14 Central Management Services.

15 (3) Until Fiscal Year 2007, for ~~For~~ a TRS benefit
16 recipient selecting the major medical coverage program, up
17 to 75% of the total insurance rate shall be paid from the
18 Teacher Health Insurance Security Fund if a managed care
19 program is not accessible, as determined by the Teachers'
20 Retirement System. Effective with Fiscal Year 2007 and
21 through Fiscal Year 2013 ~~thereafter~~, for a TRS benefit
22 recipient selecting the major medical coverage program,
23 75% of the total insurance rate shall be paid from the
24 Teacher Health Insurance Security Fund if a managed care
25 program is not accessible, as determined by the Department
26 of Central Management Services. Effective with Fiscal Year

1 2014 and thereafter, for a TRS benefit recipient selecting
2 the major medical coverage program, 50% of the total
3 insurance rate shall be paid from the Teacher Health
4 Insurance Security Fund.

5 (3.1) Through Fiscal Year 2013, for ~~For~~ a TRS dependent
6 beneficiary who is Medicare primary and enrolled in a
7 managed care plan, or the major medical coverage program if
8 a managed care plan is not available, 25% of the total
9 insurance rate shall be paid from the Teacher Health
10 Security Fund as determined by the Department of Central
11 Management Services. Effective with Fiscal Year 2014 and
12 thereafter, for a TRS dependent beneficiary who is Medicare
13 primary and enrolled in a managed care plan, or the major
14 medical coverage program, 25% of the total insurance rate
15 shall be paid from the Teacher Health Security Fund. For
16 the purpose of this item (3.1), the term "TRS dependent
17 beneficiary who is Medicare primary" means a TRS dependent
18 beneficiary who is participating in Medicare Parts A and B.

19 (4) Except as otherwise provided in item (3.1), the
20 balance of the rate of insurance, including the entire
21 premium of any coverage for TRS dependent beneficiaries
22 that has been elected, shall be paid by deductions
23 authorized by the TRS benefit recipient to be withheld from
24 his or her monthly annuity or benefit payment from the
25 Teachers' Retirement System; except that (i) if the balance
26 of the cost of coverage exceeds the amount of the monthly

1 annuity or benefit payment, the difference shall be paid
2 directly to the Teachers' Retirement System by the TRS
3 benefit recipient, and (ii) all or part of the balance of
4 the cost of coverage may, at the school board's option, be
5 paid to the Teachers' Retirement System by the school board
6 of the school district from which the TRS benefit recipient
7 retired, in accordance with Section 10-22.3b of the School
8 Code. The Teachers' Retirement System shall promptly
9 deposit all moneys withheld by or paid to it under this
10 subdivision (e)(4) into the Teacher Health Insurance
11 Security Fund. These moneys shall not be considered assets
12 of the Retirement System.

13 (f) Financing. Beginning July 1, 1995, all revenues arising
14 from the administration of the health benefit programs
15 established under Article 16 of the Illinois Pension Code or
16 this Section shall be deposited into the Teacher Health
17 Insurance Security Fund, which is hereby created as a
18 nonappropriated trust fund to be held outside the State
19 Treasury, with the State Treasurer as custodian. Any interest
20 earned on moneys in the Teacher Health Insurance Security Fund
21 shall be deposited into the Fund.

22 Moneys in the Teacher Health Insurance Security Fund shall
23 be used only to pay the costs of the health benefit program
24 established under this Section, including associated
25 administrative costs, and the costs associated with the health
26 benefit program established under Article 16 of the Illinois

1 Pension Code, as authorized in this Section. Beginning July 1,
2 1995, the Department of Central Management Services may make
3 expenditures from the Teacher Health Insurance Security Fund
4 for those costs.

5 After other funds authorized for the payment of the costs
6 of the health benefit program established under Article 16 of
7 the Illinois Pension Code are exhausted and until January 1,
8 1996 (or such later date as may be agreed upon by the Director
9 of Central Management Services and the Secretary of the
10 Teachers' Retirement System), the Secretary of the Teachers'
11 Retirement System may make expenditures from the Teacher Health
12 Insurance Security Fund as necessary to pay up to 75% of the
13 cost of providing health coverage to eligible benefit
14 recipients (as defined in Sections 16-153.1 and 16-153.3 of the
15 Illinois Pension Code) who are enrolled in the Article 16
16 health benefit program and to facilitate the transfer of
17 administration of the health benefit program to the Department
18 of Central Management Services.

19 The Department of Healthcare and Family Services, or any
20 successor agency designated to procure healthcare contracts
21 pursuant to this Act, is authorized to establish funds,
22 separate accounts provided by any bank or banks as defined by
23 the Illinois Banking Act, or separate accounts provided by any
24 savings and loan association or associations as defined by the
25 Illinois Savings and Loan Act of 1985 to be held by the
26 Director, outside the State treasury, for the purpose of

1 receiving the transfer of moneys from the Teacher Health
2 Insurance Security Fund. The Department may promulgate rules
3 further defining the methodology for the transfers. Any
4 interest earned by moneys in the funds or accounts shall inure
5 to the Teacher Health Insurance Security Fund. The transferred
6 moneys, and interest accrued thereon, shall be used exclusively
7 for transfers to administrative service organizations or their
8 financial institutions for payments of claims to claimants and
9 providers under the self-insurance health plan. The
10 transferred moneys, and interest accrued thereon, shall not be
11 used for any other purpose including, but not limited to,
12 reimbursement of administration fees due the administrative
13 service organization pursuant to its contract or contracts with
14 the Department.

15 (g) Contract for benefits. The Director shall by contract,
16 self-insurance, or otherwise make available the program of
17 health benefits for TRS benefit recipients and their TRS
18 dependent beneficiaries that is provided for in this Section.
19 The contract or other arrangement for the provision of these
20 health benefits shall be on terms deemed by the Director to be
21 in the best interest of the State of Illinois and the TRS
22 benefit recipients based on, but not limited to, such criteria
23 as administrative cost, service capabilities of the carrier or
24 other contractor, and the costs of the benefits.

25 (g-5) Committee. A Teacher Retirement Insurance Program
26 Committee shall be established, to consist of 10 persons

1 appointed by the Governor.

2 The Committee shall convene at least 4 times each year, and
3 shall consider and make recommendations on issues affecting the
4 program of health benefits provided under this Section.
5 Recommendations of the Committee shall be based on a consensus
6 of the members of the Committee.

7 If the Teacher Health Insurance Security Fund experiences a
8 deficit balance based upon the contribution and subsidy rates
9 established in this Section and Section 6.6 for Fiscal Year
10 2008 or thereafter, the Committee shall make recommendations
11 for adjustments to the funding sources established under these
12 Sections.

13 In addition, the Committee shall identify proposed
14 solutions to the funding shortfalls that are affecting the
15 Teacher Health Insurance Security Fund, and it shall report
16 those solutions to the Governor and the General Assembly within
17 6 months after August 15, 2011 (the effective date of Public
18 Act 97-386).

19 (h) Continuation of program. It is the intention of the
20 General Assembly that the program of health benefits provided
21 under this Section be maintained on an ongoing, affordable
22 basis.

23 The program of health benefits provided under this Section
24 may be amended by the State and is not intended to be a pension
25 or retirement benefit subject to protection under Article XIII,
26 Section 5 of the Illinois Constitution.

1 (i) Repeal. (Blank).

2 (Source: P.A. 96-1519, eff. 2-4-11; 97-386, eff. 8-15-11;
3 97-813, eff. 7-13-12.)

4 (5 ILCS 375/8) (from Ch. 127, par. 528)

5 Sec. 8. Eligibility.

6 (a) Each employee eligible under the provisions of this Act
7 and any rules and regulations promulgated and adopted hereunder
8 by the Director shall become immediately eligible and covered
9 for all benefits available under the programs. Employees
10 electing coverage for eligible dependents shall have the
11 coverage effective immediately, provided that the election is
12 properly filed in accordance with required filing dates and
13 procedures specified by the Director, including the completion
14 and submission of all documentation and forms required by the
15 Director.

16 (1) Every member originally eligible to elect
17 dependent coverage, but not electing it during the original
18 eligibility period, may subsequently obtain dependent
19 coverage only in the event of a qualifying change in
20 status, special enrollment, special circumstance as
21 defined by the Director, or during the annual Benefit
22 Choice Period.

23 (2) Members described above being transferred from
24 previous coverage towards which the State has been
25 contributing shall be transferred regardless of

1 preexisting conditions, waiting periods, or other
2 requirements that might jeopardize claim payments to which
3 they would otherwise have been entitled.

4 (3) Eligible and covered members that are eligible for
5 coverage as dependents except for the fact of being members
6 shall be transferred to, and covered under, dependent
7 status regardless of preexisting conditions, waiting
8 periods, or other requirements that might jeopardize claim
9 payments to which they would otherwise have been entitled
10 upon cessation of member status and the election of
11 dependent coverage by a member eligible to elect that
12 coverage.

13 (b) New employees shall be immediately insured for the
14 basic group life insurance and covered by the program of health
15 benefits on the first day of active State service. Optional
16 life insurance coverage one to 4 times the basic amount, if
17 elected during the relevant eligibility period, will become
18 effective on the date of employment. Optional life insurance
19 coverage exceeding 4 times the basic amount and all life
20 insurance amounts applied for after the eligibility period will
21 be effective, subject to satisfactory evidence of insurability
22 when applicable, or other necessary qualifications, pursuant
23 to the requirements of the applicable benefit program, unless
24 there is a change in status that would confer new eligibility
25 for change of enrollment under rules established supplementing
26 this Act, in which event application must be made within the

1 new eligibility period.

2 (c) As to the group health benefits program contracted to
3 begin or continue after June 30, 1973, each annuitant,
4 survivor, and retired employee shall become immediately
5 eligible for all benefits available under that program. Each
6 annuitant, survivor, and retired employee shall have coverage
7 effective immediately, provided that the election is properly
8 filed in accordance with the required filing dates and
9 procedures specified by the Director, including the completion
10 and submission of all documentation and forms required by the
11 Director. Annuitants, survivors, and retired employees may
12 elect coverage for eligible dependents and shall have the
13 coverage effective immediately, provided that the election is
14 properly filed in accordance with required filing dates and
15 procedures specified by the Director, except that, for a
16 survivor, the dependent sought to be added on or after the
17 effective date of this amendatory Act of the 97th General
18 Assembly must have been eligible for coverage as a dependent
19 under the deceased member upon whom the survivor's annuity is
20 based in order to be eligible for coverage under the survivor.

21 Except as otherwise provided in this Act, where husband and
22 wife are both eligible members, each shall be enrolled as a
23 member and coverage on their eligible dependent children, if
24 any, may be under the enrollment and election of either.

25 Regardless of other provisions herein regarding late
26 enrollment or other qualifications, as appropriate, the

1 Director may periodically authorize open enrollment periods
2 for each of the benefit programs at which time each member may
3 elect enrollment or change of enrollment without regard to age,
4 sex, health, or other qualification under the conditions as may
5 be prescribed in rules and regulations supplementing this Act.
6 Special open enrollment periods may be declared by the Director
7 for certain members only when special circumstances occur that
8 affect only those members.

9 (d) Beginning with fiscal year 2003 and for all subsequent
10 years, eligible members may elect not to participate in the
11 program of health benefits as defined in this Act. The election
12 must be made during the annual benefit choice period, subject
13 to the conditions in this subsection.

14 (1) Members must furnish proof of health benefit
15 coverage, either comprehensive major medical coverage or
16 comprehensive managed care plan, from a source other than
17 the Department of Central Management Services in order to
18 elect not to participate in the program.

19 (2) Members may re-enroll in the Department of Central
20 Management Services program of health benefits upon
21 showing a qualifying change in status, as defined in the
22 U.S. Internal Revenue Code, without evidence of
23 insurability and with no limitations on coverage for
24 pre-existing conditions, provided that there was not a
25 break in coverage of more than 63 days.

26 (3) Members may also re-enroll in the program of health

1 benefits during any annual benefit choice period, without
2 evidence of insurability.

3 (4) Members who elect not to participate in the program
4 of health benefits shall be furnished a written explanation
5 of the requirements and limitations for the election not to
6 participate in the program and for re-enrolling in the
7 program. The explanation shall also be included in the
8 annual benefit choice options booklets furnished to
9 members.

10 (d-5) Beginning July 1, 2005, the Director may establish a
11 program of financial incentives to encourage annuitants
12 receiving a retirement annuity from the State Employees
13 Retirement System, but who are not eligible for benefits under
14 the federal Medicare health insurance program (Title XVIII of
15 the Social Security Act, as added by Public Law 89-97) to elect
16 not to participate in the program of health benefits provided
17 under this Act. The election by an annuitant not to participate
18 under this program must be made in accordance with the
19 requirements set forth under subsection (d). The financial
20 incentives provided to these annuitants under the program may
21 not exceed \$150 per month for each annuitant electing not to
22 participate in the program of health benefits provided under
23 this Act.

24 (d-6) Beginning July 1, 2013, the Director may establish a
25 program of financial incentives to encourage annuitants with 20
26 or more years of creditable service but who are not eligible

1 for benefits under the federal Medicare health insurance
2 program (Title XVIII of the Social Security Act, as added by
3 Public Law 89-97) to elect not to participate in the program of
4 health benefits provided under this Act. The election by an
5 annuitant not to participate under this program must be made in
6 accordance with the requirements set forth under subsection
7 (d). The program established under this subsection (d-6) may
8 include a prorated incentive for annuitants with fewer than 20
9 years of creditable service, as determined by the Director. The
10 financial incentives provided to these annuitants under this
11 program may not exceed \$500 per month for each annuitant
12 electing not to participate in the program of health benefits
13 provided under this Act.

14 (e) Notwithstanding any other provision of this Act or the
15 rules adopted under this Act, if a person participating in the
16 program of health benefits as the dependent spouse of an
17 eligible member becomes an annuitant, the person may elect, at
18 the time of becoming an annuitant or during any subsequent
19 annual benefit choice period, to continue participation as a
20 dependent rather than as an eligible member for as long as the
21 person continues to be an eligible dependent. In order to be
22 eligible to make such an election, the person must have been
23 enrolled as a dependent under the program of health benefits
24 for no less than one year prior to becoming an annuitant.

25 An eligible member who has elected to participate as a
26 dependent may re-enroll in the program of health benefits as an

1 eligible member (i) during any subsequent annual benefit choice
2 period or (ii) upon showing a qualifying change in status, as
3 defined in the U.S. Internal Revenue Code, without evidence of
4 insurability and with no limitations on coverage for
5 pre-existing conditions.

6 A person who elects to participate in the program of health
7 benefits as a dependent rather than as an eligible member shall
8 be furnished a written explanation of the consequences of
9 electing to participate as a dependent and the conditions and
10 procedures for re-enrolling as an eligible member. The
11 explanation shall also be included in the annual benefit choice
12 options booklet furnished to members.

13 (Source: P.A. 97-668, eff. 1-13-12.)

14 Section 99. Effective date. This Act takes effect upon
15 becoming law."